

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Grosse Pointes-Clinton Refuse Disposal Authority</u>	County Macomb
Audit Date June 30, 2004	Opinion Date August 18, 2004	Date Accountant Report Submitted To State: November 19, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): Plante & Moran, PLLC			
Street Address 10 South Main Street, Suite 200	City Mt. Clemens	State MI	ZIP 48043
Accountant Signature 			

Grosse Pointes-Clinton Refuse Disposal Authority

**Financial Report
with Supplemental Information
June 30, 2004**

Grosse Pointes-Clinton Refuse Disposal Authority

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Independent Auditor's Report

To the Board of Directors
Grosse Pointes-Clinton Refuse
Disposal Authority

We have audited the accompanying basic financial statements of the Grosse Pointes-Clinton Refuse Disposal Authority as of June 30, 2004 and 2003 and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the Grosse Pointes-Clinton Refuse Disposal Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Grosse Pointes-Clinton Refuse Disposal Authority as of June 30, 2004 and 2003 and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Grosse Pointes-Clinton Refuse Disposal Authority has not presented a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that the management's discussion and analysis is necessary to supplement, although is not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the Grosse Pointes-Clinton Refuse Disposal Authority's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements, but is presented for the purpose of additional analysis. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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To the Board of Directors
Grosse Pointes-Clinton Refuse
Disposal Authority

As disclosed in Note I, the Grosse Pointes-Clinton Refuse Disposal Authority implemented the provisions of GASB Statement No. 34 as of July 1, 2003.

Plante & Moran, PLLC

August 18, 2004

Grosse Pointes-Clinton Refuse Disposal Authority

Statement of Net Assets

	June 30	
	2004	2003
Current Assets		
Cash (Note 2)	\$ 876,036	\$ 141,846
Accounts receivable	374,502	428,437
Land contract receivable - Current portion (Note 4)	675,137	565,129
Other current assets	<u>3,452</u>	<u>3,304</u>
Total current assets	1,929,127	1,138,716
Other Assets - Land contract receivable - Net of current portion (Note 4)	<u>591,539</u>	<u>1,274,871</u>
Total assets	2,520,666	2,413,587
Current Liabilities - Accounts payable	<u>189,448</u>	<u>229,238</u>
Net Assets - Unrestricted	<u><u>\$ 2,331,218</u></u>	<u><u>\$ 2,184,349</u></u>

Grosse Pointes-Clinton Refuse Disposal Authority

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2004	2003
Operating Revenue		
Billings from constituent municipalities	\$ 2,023,133	\$ 2,690,459
Other	44,284	-
	<hr/>	<hr/>
Total operating revenue	2,067,417	2,690,459
Operating Expenses		
Fringe benefits	10,592	25,565
Utilities	37	2,760
Refuse disposal	1,927,562	2,590,550
General insurance	24,751	24,415
Professional services	61,178	88,547
Repairs and maintenance expenses	-	11,655
Other	15,319	4,263
	<hr/>	<hr/>
Total operating expenses	2,039,439	2,747,755
Operating Income (Loss)	27,978	(57,296)
Nonoperating Revenue		
Interest income	118,891	1,230
Gain on sale of assets (Note 4)	-	1,465,546
	<hr/>	<hr/>
Total nonoperating revenue	118,891	1,466,776
Change in Net Assets	146,869	1,409,480
Net Assets - Beginning of year	<hr/> 2,184,349	<hr/> 774,869
Net Assets - End of year	<hr/> \$ 2,331,218	<hr/> \$ 2,184,349

Grosse Pointes-Clinton Refuse Disposal Authority

Statement of Cash Flows

	Year Ended June 30	
	2004	2003
Cash Flows from Operating Activities		
Payments from municipalities	\$ 2,121,352	\$ 2,895,359
Payments to vendors and employees	<u>(2,079,377)</u>	<u>(3,435,528)</u>
Net cash provided by (used in)		
operating activities	41,975	(540,169)
Cash Flows from Investing Activities - Interest received	118,891	1,230
Cash Flows from Capital and Related Financing Activities		
Proceeds from sale of assets	-	420,000
Proceeds from land contract	<u>573,324</u>	<u>-</u>
Net cash provided by capital		
and related financing activities	<u>573,324</u>	<u>420,000</u>
Net Increase (Decrease) in Cash	734,190	(118,939)
Cash - Beginning of year	<u>141,846</u>	<u>260,785</u>
Cash - End of year	<u>\$ 876,036</u>	<u>\$ 141,846</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities		
Operating income (loss)	\$ 27,978	\$ (57,296)
Adjustments to reconcile operating income (loss) to net cash from operating activities - Changes in assets and liabilities:		
Decrease in accounts receivable	53,935	204,900
(Increase) decrease in other current assets	(148)	71
Decrease in accounts payable	<u>(39,790)</u>	<u>(687,844)</u>
Net cash provided by (used in)		
operating activities	<u>\$ 41,975</u>	<u>\$ (540,169)</u>

Noncash Investing and Financing Activities - During the year ended June 30, 2003, the Authority entered into a land contract totaling \$1,840,000 related to the sale of land.

Grosse Pointes-Clinton Refuse Disposal Authority

Notes to Financial Statements June 30, 2004 and 2003

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Grosse Pointes-Clinton Refuse Disposal Authority (the "Authority") conform to accounting principles as applicable to Enterprise Funds of governmental units. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

Reporting Entity

The Authority was organized, under provisions of Act 179 of the Public Acts of Michigan of 1947, on August 16, 1962 by action of the city councils of the cities of Grosse Pointe Farms, Grosse Pointe Park, and Grosse Pointe and the township board of Clinton Township for the purpose of disposing refuse. The Authority was later expanded to include the Village of Grosse Pointe Shores, and the cities of Mount Clemens, Grosse Pointe Woods, and Harper Woods. Each constituent municipality has one director on the Board of Directors, with the exception of Clinton Township, which has two. The Authority currently operates under a 15-year agreement, expiring March 2014, with a disposal company, whereby the disposal company disposes of the refuse for the eight member communities and bills the Authority. The Authority bills each community for their share of the disposal costs plus a \$1 per ton administrative fee.

Basis of Accounting - The accrual basis of accounting is used by the Authority. The Authority follows all pronouncements of the Governmental Accounting Standards Board and those pronouncements of the Financial Accounting Standards Board and predecessor bodies issued prior to November 30, 1989.

Operating Revenue - Operating revenue represents fees charged to constituent municipalities.

Landfill Closure Costs - The Authority does not own or operate a municipal solid waste landfill and, therefore, has no liability for closure and postclosure care costs.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Change - Effective July 1, 2003, the Authority implemented the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. There were no significant changes as a result of the implementation of GASB Statement No. 34. The Authority has elected not to present a management's discussion and analysis.

Grosse Pointes-Clinton Refuse Disposal Authority

Notes to Financial Statements June 30, 2004 and 2003

Note 2 - Cash

The Authority's cash balance is composed of the following:

	2004	2003
Deposits with financial institutions	\$ 876,036	\$ 141,846

Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$876,999 and \$780,099 at June 30, 2004 and 2003, respectively. Of those amounts, \$100,000 was covered by federal depository insurance, and the remainder was uninsured and uncollateralized.

The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution with which it deposits Authority funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Retirement System

As of February 28, 2002, the Authority no longer retained employees. The most recent actuarial valuation is as of December 31, 2002. No actuarial valuations were performed subsequent to December 31, 2002. Subsequent to year end, the Authority received a refund related to the overfunding in the plan amounting to approximately \$727,000, which was returned to the constituent municipalities.

Plan Description

The Authority contributed to the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer defined benefit pension plan, which covered all employees of the Authority. The MMERS provides retirement, disability, and death benefits to plan members and their beneficiaries. The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the MMERS. That report may be obtained by writing to the MMERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Authority's competitive bargaining unit and required a contribution from the employees of 6 percent.

Grosse Pointes-Clinton Refuse Disposal Authority

Notes to Financial Statements June 30, 2004 and 2003

Note 3 - Retirement System (Continued)

Annual Pension Cost

For the fiscal year ended June 30, 2004, the Authority's annual pension cost was equal to the Authority's required and actual contribution, all of which was \$0. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return (4.5 percent due to inflation), (b) projected salary increases of 4.5 percent per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0 percent to 4.16 percent per year attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5 percent per year (annually) after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. Normally, the unfunded actuarial liability is amortized as a level percentage of payroll on a closed basis; however, since the plan is overfunded, this has not been necessary.

Three-year Trend Information

	Fiscal Year Ended June 30		
	2004	2003	2002
Annual pension cost (APC)	\$ -	\$ -	\$ -
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

	Valuation Year Ended December 31		
	2002	2001	2000
Actuarial value of assets	\$ 3,627,863	\$ 3,644,316	\$ 3,447,464
Actuarial Accrued Liability (AAL) (entry age)	\$ 2,294,897	\$ 1,898,861	\$ 1,844,167
Overfunded AAL	\$ 1,332,966	\$ 1,745,455	\$ 1,603,297
Funded ratio	158%	192%	187%
Covered payroll	\$ -	\$ 107,523	\$ 108,368
UAAL as a percentage of covered payroll	- %	- %	- %

Grosse Pointes-Clinton Refuse Disposal Authority

Notes to Financial Statements June 30, 2004 and 2003

Note 4 - Land Contract Receivable

During the year ended June 30, 2003, the Authority sold 103 acres of land in Lenox Township for \$2,340,000, before payment of \$80,000 of selling expenses. As part of the sale agreement, the Authority entered into a land contract agreement totaling \$1,840,000, with interest at 8.0 percent and monthly payments of \$62,673 to be collected through 2006.

Note 5 - Contingencies

The Authority recognizes liabilities for environmental remediation costs when such obligations are probable and reasonably estimable. As of June 30, 2004, the Authority is not aware of any environmental contamination.

Supplemental Information

Grosse Pointes-Clinton Refuse Disposal Authority

Statement of Operating Revenue and Expenses Budget and Actual Year Ended June 30, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenue			
Billings from constituent municipalities	\$ 2,023,252	\$ 2,023,133	\$ (119)
Other	-	44,284	44,284
Total operating revenue	<u>\$ 2,023,252</u>	<u>\$ 2,067,417</u>	<u>\$ 44,165</u>
Operating Expenses			
Fringe benefits	\$ 10,000	\$ 10,592	\$ (592)
Utilities	-	37	(37)
Refuse disposal	1,927,434	1,927,562	(128)
Maintenance - Building and grounds	10,000	7,098	2,902
Advertising	-	7,218	(7,218)
Office supplies	1,400	303	1,097
General insurance	25,000	24,751	249
Engineering	12,000	2,525	9,475
Professional services	64,055	58,653	5,402
Membership dues	700	700	-
Other	100	-	100
Total operating expenses	<u>\$ 2,050,689</u>	<u>\$ 2,039,439</u>	<u>\$ 11,250</u>